

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Breitung Township	County Dickinson
Fiscal Year End 12/31/06	Opinion Date 4/30/07	Date Audit Report Submitted to State 6/26/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number (906) 786-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
Zip 49829			
Authorizing CPA Signature Kevin C. Pascoe, CPA		Printed Name Kevin C. Pascoe	License Number 1101026882

CHARTER TOWNSHIP OF BREITUNG
DICKINSON COUNTY, MICHIGAN

BASIC FINANCIAL STATEMENTS

December 31, 2006

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Charter Township of Breitung
Dickinson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Breitung, Dickinson County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Breitung's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Breitung, Dickinson County, Michigan as of December 31, 2006, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2007, on our consideration of the Charter Township of Breitung's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 12 and 44, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Breitung, Dickinson County, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Breitung Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2006. Please read it in conjunction with the Township's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Net assets for the Township were reported at \$5,776,592 for 2006 and were \$5,421,552 for 2005, an increase of \$355,040. For 2006, net assets for our business-type activities were \$1,604,917 or 28% of total net assets, while net assets in our governmental activities were \$4,171,675 or 72% of total net assets.
- The Township's expenses for the year totaled \$1,992,483, while revenues from all sources totaled \$2,347,523, resulting in an increase in net assets of \$355,040. In 2005, expenses totaled \$1,876,164, while revenues from all sources totaled \$2,219,957, resulting in an increase in net assets of \$343,793.
- In the Township's business type activities, total revenues were \$320,436, or 14% of total revenue, while expenses totaled \$207,337, or 10% of total expenses. This provided excess revenue over expenses of \$113,099. In 2005, total revenues were \$317,158, or 14% of total revenue, while expenses totaled \$194,687, or 10% of total expenses. This provided excess revenue over expenses of \$122,471.
- The General Fund reported an increase in fund balance of \$36,339 (or 2.9%) compared to an increase of \$16,069 (or 1.3%) in 2005. This was after revenues of \$1,996,239 compared to \$1,865,725 in 2005, and expenditures and other financing uses of \$1,959,900 compared to expenses of \$1,849,656 in 2005.

The 2006 fiscal year is best characterized as building assets for future financial stability and long term growth. This report indicates the Township Board engineered the organization into solid financial position by increasing fund balances and retained earnings in all funds. Given the uncertainty of state shared revenue which is the General Funds second largest revenue this accomplishment bodes well for the future. While the economy in Michigan and the State of Michigan face bleak futures, the Township has taken the prudent financial steps to provide buffers for the uncertain actions in the future.

With the increase in liquid assets, the Township is investing those assets and generating operating revenues for all funds making the Township less reliant on unpredictable state shared revenue. The Township has reduced expenditures in the areas of insurance and professional services freeing up over \$50,000 in revenues. These revenues have been reallocated to programs where the return on the investment will translate into increased tax base and expansion of the utility system.

A question is asked in the 2006 audit if the Township is better or worse off as a result of this year's activity. In response to the question, one only needs to look at the increase in liquid assets of all funds and the investment made in fixed assets over the past year. From that standpoint and based

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

upon sound financial management practices, the Township is unquestionably better off as a whole than it was in prior years.

In light of that question, the audit notes that the Township is well within its limitation for bonded debt which is in our case is limited to 10% of State Equalized Value. At this time the Township has two outstanding debt issues; one in the East Kingsford Water Fund which will be retired in 2018 and the other in the General Fund for the DPW Building which will be retired in 2011. This is of particular importance to readers of this report and members of the public who rely on the annual financial report for information. The Township debt load is minimal which means the Township is in a position to invest in infrastructure such as water and sanitary sewer for the future growth and development of the Township.

The Township Board is currently evaluating these options in both water and sanitary sewer. The Township as mentioned in other sections of the report is discussing with the cities of Iron Mountain, Kingsford, and Norway the possibility of joining their utility systems and expanding them into the Township. In addition, the Township is gathering data on building its own systems as means to determine which method is most financially viable and cost effective for the Township and its residents.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13 and 14) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting, used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two categories of activities:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, highway and transportation, health and welfare, recreation and cultural, cemetery, and general administration. Property taxes and state shared revenues make up the majority of revenue for these activities.
- Business-type activities - The Township charges customers to provide water utility services.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's Major Funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township's two kinds of funds - governmental and proprietary - use different accounting methods.

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the Township charges customers for the services it provides - whether to outside customers or to other units of the Township - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact,

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other Township programs and activities.

The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Township as a Whole

The Township's net combined assets increased by \$355,040.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Assets:				
Current and other assets	\$ 3,152,653	\$ 2,879,023	\$ 526,616	\$ 417,296
Capital assets (net)	2,478,384	2,483,390	1,423,612	1,448,834
Total Assets	<u>5,631,037</u>	<u>5,362,413</u>	<u>1,950,228</u>	<u>1,866,130</u>
Liabilities:				
Long-term debt outstanding	221,482	293,880	342,012	373,881
Other liabilities	1,237,880	1,138,799	3,299	431
Total Liabilities	<u>1,459,362</u>	<u>1,432,679</u>	<u>345,311</u>	<u>374,312</u>
Net Assets:				
Invested in capital assets, net of related debt	2,256,902	2,189,510	1,081,600	1,074,953
Nonexpendable:				
Cemetery perpetual care	133,045	129,667	-	-
Unrestricted	1,781,728	1,610,557	523,317	416,865
Total net assets	<u>\$ 4,171,675</u>	<u>\$ 3,929,734</u>	<u>\$ 1,604,917</u>	<u>\$ 1,491,818</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Net assets of the Township's governmental activities stood at \$4,171,675. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,781,728.

Net assets in our business-type activities stood at \$1,604,917. Unrestricted net assets for our business-type activities were \$523,317.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Revenues:				
Program Revenues:				
Charges for services	\$ 125,392	\$ 50,147	\$ 303,685	\$ 309,322
Operating grants	132,070	9,305	-	-
Capital grants	30,185	104,838	-	-
General Revenues:				
Property taxes	1,262,521	1,264,139	-	-
State revenue sharing	410,745	411,996	-	-
Unrestricted investment earnings	65,756	48,580	16,751	7,836
Miscellaneous	418	13,794	-	-
Total Revenues	<u>2,027,087</u>	<u>1,902,799</u>	<u>320,436</u>	<u>317,158</u>
Program Expenses:				
Legislative	53,579	45,775	-	-
General government	844,474	734,871	-	-
Public Safety	365,023	365,641	-	-
Highway and transportation	67,802	68,941	-	-
Health and welfare	362,110	399,446	-	-
Recreation and culture	55,895	58,483	-	-
Cemetery	(6,021)	(5,808)	-	-
Other	27,152	-	-	-
Interest on long-term debt	11,132	14,128	-	-
Water utility	-	-	207,337	194,687
Total Expenses	<u>1,781,146</u>	<u>1,681,477</u>	<u>207,337</u>	<u>194,687</u>
Excess (deficiency) before transfers and contributions	245,941	221,322	113,099	122,471
Transfers	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	241,941	221,322	113,099	122,471
Net assets - beginning	<u>3,929,734</u>	<u>3,708,412</u>	<u>1,491,818</u>	<u>1,369,347</u>
Net assets - ending	<u>\$ 4,171,675</u>	<u>\$ 3,929,734</u>	<u>\$ 1,604,917</u>	<u>\$ 1,491,818</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Governmental Activities

Revenues for the Township's governmental activities totaled \$2,027,087, while expenses were \$1,785,146. The excess of revenues over expenditures was \$241,941. Table three below reflects the cost of each of the Township's five largest activities; General government, public safety, highway and transportation, health and welfare, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General government	\$ 844,474	\$ 734,871	\$ 624,860	\$ 709,810
Public safety	365,023	365,641	332,269	259,212
Highway and transportation	67,802	68,941	67,802	68,941
Health and welfare	362,110	399,446	342,305	372,487
Recreation and cultural	55,895	58,483	55,895	58,483
Total	<u>\$ 1,695,304</u>	<u>\$ 1,627,382</u>	<u>1,423,131</u>	<u>1,468,933</u>

Business-Type Activities

The Township's business-type activities net assets totaled \$1,604,917, with an increase in the current year of \$113,099.

THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$1,670,429, in which \$1,537,384 is unreserved. The General Fund's fund balance is \$1,294,185, with \$22,031 being designated (See Note – D).

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$130,329, representing an increase of 7.4%. The final amended budgeted expenditures increased by \$140,463 over the original budget, representing an increase of 7.8%. The original budget projected a decrease in fund balance in the amount of \$34,886, while the actual results showed an increase to fund balance of \$36,339.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the Township had \$3,901,996, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure relating to the water systems.

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	\$ 376,990	\$ 383,990	\$ -	\$ -
Land improvements	125,324	44,270	-	-
Building and improvements	1,428,456	1,472,111	-	-
Equipment and furniture	219,282	206,694	-	-
Vehicles	328,332	376,325	-	-
Infrastructure - water systems	-	-	1,423,612	1,448,835
Total	<u>\$ 2,478,384</u>	<u>\$ 2,483,390</u>	<u>\$ 1,423,612</u>	<u>\$ 1,448,835</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

DEBT

At year-end the Township had \$563,494 in notes and bonds outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Installment Purchase Agreement:				
DPW Building	\$ 221,482	\$ 293,880	\$ -	\$ -
Bonds Payable:				
Refinancing of 1996 Water Bonds	-	-	342,012	373,881
Totals	<u>\$ 221,482</u>	<u>\$ 293,880</u>	<u>\$ 342,012</u>	<u>\$ 373,881</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The Township's outstanding general obligation debt is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of these factors is the uncertainty of State revenue sharing cuts as well as other changes in State government which will affect the way programs and services are provided and funded. The economy in the Breitung Township area appears to be flat in relation to job growth and job loss. The cost of living in the area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the Township and local employers. These factors are taken into account when adopting the 2007 budget.

In the next fiscal year the Township will be reviewing various contracts for services in the Township. Currently the Township contracts with private contractors for a number of services for things such as IT, assessing, refuse collection, engineering, internet services and others. Recognizing the critical need for these services and the important role they play for township residents and businesses, the Township Board intends to evaluate the quality of service in relation to the cost of providing the service. Given the uncertainty of the State of Michigan and the Michigan economy the Township will be attempting to secure fixed cost options to minimize unforeseen cost increases.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

The Township will also be evaluating the services it provides to determine if technology can be implemented for greater efficiency. In particular, improvements in the water systems can save manpower and administrative costs in the area of billing and meter reading. Expanding online services for permits and billings will be a priority in the next fiscal year also.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Superintendent at the Breitung Township Hall, 3851 Menominee Street, Quinnesec, Michigan 49876.

CHARTER TOWNSHIP OF BREITUNG
STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 155,076	\$ 225,027	\$ 380,103
Unrestricted	1,761,144	247,872	2,009,016
Receivables :			
Utilities	-	53,717	53,717
Taxes	1,102,811	-	1,102,811
Due from other governmental units	133,622	-	133,622
Total current assets	<u>3,152,653</u>	<u>526,616</u>	<u>3,679,269</u>
Noncurrent assets:			
Capital assets	3,796,099	2,099,609	5,895,708
Accumulated depreciation	(1,317,715)	(675,997)	(1,993,712)
Total noncurrent assets	<u>2,478,384</u>	<u>1,423,612</u>	<u>3,901,996</u>
Total assets	<u>\$ 5,631,037</u>	<u>\$ 1,950,228</u>	<u>\$ 7,581,265</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 96,668	\$ 3,299	\$ 99,967
Accrued interest	4,063	-	4,063
Deferred revenue	1,102,811	-	1,102,811
Other liabilities	5,408	-	5,408
Compensated absences	7,233	-	7,233
Bonds payable	75,935	31,148	107,083
Total current liabilities	<u>1,292,118</u>	<u>34,447</u>	<u>1,326,565</u>
Noncurrent liabilities:			
Compensated absences	21,697	-	21,697
Bonds payable	145,547	310,864	456,411
Total noncurrent liabilities	<u>167,244</u>	<u>310,864</u>	<u>478,108</u>
Total liabilities	<u>1,459,362</u>	<u>345,311</u>	<u>1,804,673</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,256,902	1,081,600	3,338,502
Restricted:			
Nonexpendable:			
Cemetery perpetual care	133,045	-	133,045
Unrestricted	1,781,728	523,317	2,305,045
Total net assets	<u>4,171,675</u>	<u>1,604,917</u>	<u>5,776,592</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,631,037</u>	<u>\$ 1,950,228</u>	<u>\$ 7,581,265</u>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Primary Government			Capital Grants and Contributions	Primary Government		Total
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
Legislative	\$ 53,579	\$ -	\$ -	\$ -	\$ (53,579)	\$ -	\$ (53,579)
General government	844,474	99,851	119,763	-	(624,860)	-	(624,860)
Public safety	365,023	2,361	208	30,185	(332,269)	-	(332,269)
Highway & transportation	67,802	-	-	-	(67,802)	-	(67,802)
Health & welfare	362,110	19,805	-	-	(342,305)	-	(342,305)
Recreation & cultural	55,895	-	-	-	(55,895)	-	(55,895)
Cemetery	(6,021)	3,375	5,282	-	14,678	-	14,678
Other	27,152	-	6,817	-	(20,335)	-	(20,335)
Interest on long-term debt	11,132	-	-	-	(11,132)	-	(11,132)
Total governmental activities	1,781,146	125,392	132,070	30,185	(1,493,499)	-	(1,493,499)
Business-type activities:							
Water utility	207,337	303,685	-	-	-	96,348	96,348
Total primary government	\$ 1,988,483	\$ 429,077	\$ 132,070	\$ 30,185	\$ (1,493,499)	\$ 96,348	\$ (1,397,151)
General revenues:							
Property taxes					1,262,521	-	1,262,521
State revenue sharing					410,745	-	410,745
Unrestricted investment earnings					65,756	16,751	82,507
Gain on sale of fixed assets					418	-	418
Transfers					(4,000)	-	(4,000)
Total general revenues and transfers					1,735,440	16,751	1,752,191
Changes in net assets					241,941	113,099	355,040
Net assets - beginning					3,929,734	1,491,818	5,421,552
Net assets - ending					\$ 4,171,675	\$ 1,604,917	\$ 5,776,592

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and equivalents:			
Restricted	\$ 22,031	\$ 133,045	\$ 155,076
Unrestricted	1,238,920	243,277	1,482,197
Receivables:			
Taxes	1,102,811	-	1,102,811
Due from other governmental units	133,622	-	133,622
Total assets	<u>\$ 2,497,384</u>	<u>\$ 376,322</u>	<u>\$ 2,873,706</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 94,980	\$ 78	\$ 95,058
Deferred revenue	1,102,811	-	1,102,811
Other liabilities	5,408	-	5,408
Total liabilities	<u>1,203,199</u>	<u>78</u>	<u>1,203,277</u>
Fund balances:			
Reserved for:			
Cemetery perpetual care	-	133,045	133,045
Unreserved:			
Designated	22,031	-	22,031
Undesignated	1,272,154	-	1,272,154
Unreserved, reported in non-major:			
Special revenue funds	-	243,199	243,199
Total fund balances	<u>1,294,185</u>	<u>376,244</u>	<u>1,670,429</u>
Total liabilities and fund balances	<u>\$ 2,497,384</u>	<u>\$ 376,322</u>	<u>\$ 2,873,706</u>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2006

Total fund balances for governmental funds	\$ 1,670,429
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	\$ 2,516,034	
Accumulated depreciation	<u>(443,098)</u>	
Total capital assets, net of depreciation		2,072,936

An internal service fund is used by the Township to charge the cost of equipment usage to individual departments of the Township which are not accounted for as an enterprise activity. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

682,785

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(4,063)	
Bonds payable	(221,482)	
Compensated absences	<u>(28,930)</u>	<u>(254,475)</u>
Total net assets of governmental activities		<u>\$ 4,171,675</u>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Federal sources	\$ 148,640	\$ -	\$ 148,640
State sources	412,053	2,361	414,414
Taxes	1,262,521	-	1,262,521
Charges for services	22,214	18,600	40,814
License and permits	17	-	17
Interest and rents	65,756	14,762	80,518
Other	85,038	2,125	87,163
	<hr/>	<hr/>	<hr/>
Total revenues	\$ 1,996,239	\$ 37,848	\$ 2,034,087
EXPENDITURES:			
Legislative	\$ 53,579	\$ -	\$ 53,579
General government	894,893	-	894,893
Public safety	349,010	2,200	351,210
Highway and transportation	67,802	-	67,802
Health and welfare	306,320	43,823	350,143
Recreation and cultural	75,144	-	75,144
Capital outlay	27,152	-	27,152
Debt service:			
Principal	-	72,397	72,397
Interest and other charges	-	12,457	12,457
	<hr/>	<hr/>	<hr/>
Total expenditures	1,773,900	130,877	1,904,777
	<hr/>	<hr/>	<hr/>
Excess revenues (expenditures)	222,339	(93,029)	129,310
OTHER FINANCING SOURCES (USES):			
Transfers in	-	187,279	187,279
Transfers out	(186,000)	(5,279)	(191,279)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(186,000)	182,000	(4,000)
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	36,339	88,971	125,310
	<hr/>	<hr/>	<hr/>
Fund balances - beginning	1,257,846	287,273	1,545,119
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 1,294,185	\$ 376,244	\$ 1,670,429
	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Net changes in fund balances - total governmental funds	\$ 125,310
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the amount of \$114,996 exceeded disposals (\$7,000) and depreciation expense (\$73,793).	34,203
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An internal service fund is used by the Township to charge the cost of equipment usage to individual departments of the Township which are not accounted for as an enterprise activity. The net revenue (expense) of the internal service fund is reported with governmental activities.	4,633
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Bond principal repayments	72,397
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	\$ 4,073	
Accrued interest on bonds	1,325	5,398

Changes in net assets of governmental activities	\$ 241,941
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See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents:				
Restricted	\$ 97,320	\$ 127,707	\$ 225,027	\$ -
Unrestricted	34,228	213,644	247,872	278,947
Utilities receivable	26,612	27,105	53,717	-
Total current assets	158,160	368,456	526,616	278,947
Noncurrent assets:				
Capital assets, net of accumulated depreciation	861,059	562,553	1,423,612	405,448
Total noncurrent assets	861,059	562,553	1,423,612	405,448
Total assets	<u>\$ 1,019,219</u>	<u>\$ 931,009</u>	<u>\$ 1,950,228</u>	<u>\$ 684,395</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,068	\$ 231	\$ 3,299	\$ 1,610
Bonds payable	31,148	-	31,148	-
Total current liabilities	34,216	231	34,447	1,610
Noncurrent liabilities:				
Bonds payable	310,864	-	310,864	-
Total noncurrent liabilities	310,864	-	310,864	-
Total liabilities	345,080	231	345,311	1,610
NET ASSETS				
Invested in capital assets, net of related debt	519,047	562,553	1,081,600	405,448
Unrestricted	155,092	368,225	523,317	277,337
Total net assets	674,139	930,778	1,604,917	682,785
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,019,219</u>	<u>\$ 931,009</u>	<u>\$ 1,950,228</u>	<u>\$ 684,395</u>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:				
State sources	\$ -	\$ -	\$ -	\$ 4,000
Charges for services	146,819	120,466	267,285	-
Rental	14,000	22,400	36,400	129,000
Other	-	-	-	4,278
Total operating revenue	<u>\$ 160,819</u>	<u>\$ 142,866</u>	<u>\$ 303,685</u>	<u>\$ 137,278</u>
OPERATING EXPENSES:				
Salaries and fringes	\$ 29,440	\$ 34,513	\$ 63,953	\$ 22,087
Purchased supplies	-	-	-	16,941
Contracted services	411	1,616	2,027	8,530
Repairs and maintenance	2,802	2,346	5,148	6,714
Printing and publishing	551	551	1,102	390
Purchased water	43,737	-	43,737	-
Public utilities	-	7,044	7,044	-
Rentals	7,806	7,752	15,558	780
Memberships and dues	1,413	1,413	2,826	-
Conferences and workshops	35	35	70	-
Capital outlay	3,015	2,991	6,006	13,256
Depreciation	15,916	15,186	31,102	82,840
Bad debt	15,616	1,884	17,500	-
Other	133	-	133	486
Total operating expenses	<u>120,875</u>	<u>75,331</u>	<u>196,206</u>	<u>152,024</u>
Operating income (loss)	<u>39,944</u>	<u>67,535</u>	<u>107,479</u>	<u>(14,746)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	4,591	12,160	16,751	13,379
Gain on sale of fixed assets	-	-	-	2,000
Interest and other charges	(11,131)	-	(11,131)	-
Total nonoperating revenue (expense)	<u>(6,540)</u>	<u>12,160</u>	<u>5,620</u>	<u>15,379</u>
Income (loss) before transfers	<u>33,404</u>	<u>79,695</u>	<u>113,099</u>	<u>633</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Changes in net assets	<u>33,404</u>	<u>79,695</u>	<u>113,099</u>	<u>4,633</u>
Total net assets - beginning	<u>640,735</u>	<u>851,083</u>	<u>1,491,818</u>	<u>678,152</u>
Total net assets - ending	<u>\$ 674,139</u>	<u>\$ 930,778</u>	<u>\$ 1,604,917</u>	<u>\$ 682,785</u>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

For the Year Ended December 31, 2006

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 145,498	\$ 117,588	\$ 263,086	\$ -
Cash receipts from interfund services provided	14,000	22,400	36,400	129,000
Payments to suppliers	(56,982)	(23,801)	(80,783)	(47,157)
Payments for wages and related benefits	(29,440)	(34,513)	(63,953)	(22,087)
Other receipts (payments)	-	-	-	8,278
Net cash provided (used) by operating activities	73,076	81,674	154,750	68,034
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:				
Transfer in	-	-	-	4,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Sale (purchase) of fixed assets	-	(5,880)	(5,880)	(41,631)
Principal paid on debt instruments	(31,869)	-	(31,869)	-
Interest paid on debt instruments	(11,131)	-	(11,131)	-
Net cash provided (used) by capital and related financing activities	(43,000)	(5,880)	(48,880)	(41,631)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings	4,591	12,160	16,751	13,379
Net increase (decrease) in cash and equivalents	34,667	87,954	122,621	43,782
Cash and equivalents, beginning of year	96,881	253,397	350,278	235,165
Cash and equivalents, end of year	\$ 131,548	\$ 341,351	\$ 472,899	\$ 278,947
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 39,944	\$ 67,535	\$ 107,479	\$ (14,746)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	15,916	15,186	31,102	82,840
Bad debt expense	15,616	1,884	17,500	-
Changes in assets and liabilities:				
(Increase) decrease in receivables	(1,321)	(2,878)	(4,199)	-
Increase (decrease) in accounts payable	2,921	(53)	2,868	(60)
Net cash provided by operating activities	\$ 73,076	\$ 81,674	\$ 154,750	\$ 68,034

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2006

	Tax Collection Fund
	<hr/>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 199,444
	<hr/>
<u>LIABILITIES</u>	
Due to other units governmental units	\$ 199,444
	<hr/>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) REPORTING ENTITY

The Charter Township of Breitung was organized in 1877 and voted to become a Charter Township in 1978. The Township operates under an elected seven-member Board, which includes a supervisor, clerk, treasurer, and four trustees.

For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB 39, the Township's basic financial statements include the accounts of all Township operations for which the Township exercises oversight responsibility. The Township provides services in the following functional areas: liquor law enforcement, fire protection, sanitation, public works, water utility needs, and township enrichment.

Based on the foregoing criteria, the following organizations are not included in the financial report of the Charter Township of Breitung:

Central Landfill Authority – The Authority operates autonomously under intergovernmental service agreements.

Breitung Township Schools – The District operates autonomously as a separate governmental entity.

The accounting policies of the Charter Township of Breitung conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

(2) BASIS OF PRESENTATION

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the City as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the Township are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Township reports the following as major governmental funds in accordance with the above criteria:

The General Fund as described below.

The Township reports the following as major enterprise funds in accordance with the above criteria:

East Kingsford Water Fund, which is used to account for water utility services provided to East Kingsford.

Quinnebec Water Fund, which accounts for water utility services provided to Quinnebec.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds of the Township are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Permanent Fund – The Cemetery Perpetual Care Fund is the Township's only permanent fund. The principal portion of this fund must stay intact, but the interest earnings are used to provide care for the cemetery.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The Township applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

Internal Service Fund – The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township, or to other governments, on a cost-reimbursement basis. In the government-wide financial statements, the Motor Pool Fund is the Township's only internal service fund and is included with the governmental activities and accounts for equipment usage activity used by various Township departments.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Agency Fund - The Tax Collection Fund is the Township's only agency fund and is used to account for assets held by the Township in a trustee capacity or as an agent for individuals or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(3) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

(4) ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE

- a. Cash and Equivalents – The Township’s cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. The Township has not recorded an allowance for uncollectible as the Township does not anticipate any material uncollectable accounts.
- c. Capital Assets – The accounting and reporting treatment applied to property plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Land improvements	10 – 15 years
Buildings and improvements	40 – 50 years
Equipment and furniture	5 – 15 years
Vehicles	5 – 15 years
Infrastructure	10 – 75 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

- d. Restricted Assets – Restricted assets include cash and equivalents, which have been reserved for the principal portion of the Cemetery Perpetual Care Fund non-expendable cash.
- e. Long-Term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

- f. Compensated Absences – The Township's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.
- g. Deferred Revenues – In the government-wide statements and proprietary fund financial statements deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements deferred revenue is recognized when revenue is unearned or unavailable. The Township has reported deferred revenue of \$1,102,811 in the General Fund for property taxes levied in December 2006 for use in 2007. These amounts have been deemed measurable, but not currently available.
- h. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.

(5) REVENUES AND EXPENDITURES/EXPENSES

Revenues

Government-Wide Statements

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues, includes all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, State revenue sharing payments and interest earnings.

Fund Statements

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Township’s policy to use restricted resources first.

Expenses/Expenditures

Government-Wide Statements

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Statements

In the governmental fund financial statements expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Other Financing Sources (Uses)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

(6) OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is legally enacted through passage of an ordinance.
- c. The Township Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board in December. Individual amendments were not material in relation to the original appropriations which were amended.
- e. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpendable appropriations lapse at the end of the fiscal year.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – BUDGET NON-COMPLIANCE

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended December 31, 2006, the General Fund expenditures exceeded total appropriations by \$12,298.

NOTE C – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the government-wide Statement of Net Assets is presented below:

	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 488,804	\$ 488,804
Uninsured	2,099,759	2,241,941
Total cash	<u>\$ 2,588,563</u>	<u>\$ 2,730,745</u>
Government-wide Statement of Net Assets Presentation:		
Restricted	\$ 380,103	
Unrestricted	2,009,016	
Statement of Fiduciary Net Assets:		
Cash and equivalents:		
Unrestricted	199,444	
Total cash and equivalents	<u>\$ 2,588,563</u>	

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE C – CASH AND EQUIVALENTS (continued)

Cash and cash equivalents consist solely of checking and saving account deposits and certificate of deposits.

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The investments in cash and equivalents held by the Township at year end are not rated.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At December 31, 2006, the Township held \$2,730,745 in deposits with financial institutions, in which \$2,241,941 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Township are in accordance with statutory authority.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE D – RESTRICTED CASH

A summary of the Township's restricted cash at December 31, 2006 is as follows:

GOVERNMENTAL FUNDS:

General Fund:

For building and grounds maintenance	\$ 22,031
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ENTERPRISE FUNDS:

East Kingsford Water:

For water system improvements	97,320
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Quinnesec Water :

For water system improvements	127,707
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PERMANENT TRUST FUND:

Cemetery Perpetual Care:

For perpetual care of cemetery	133,045
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Total	<u>\$ 380,103</u>
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NOTE E – PROPERTY TAXES

Information regarding current year property taxes as follows:

Taxable valuation:

Regular	\$ 304,856,688
---------	----------------

Industrial facilities	11,906,200
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Millage rate:

Regular	4.20
---------	------

Industrial facilities	2.10
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Total property taxes:

Regular	\$ 1,280,398
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Industrial facilities	25,003
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CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance at 1/01/06	Additions	Disposals	Balance at 12/31/06
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 383,990	\$ -	\$ 7,000	\$ 376,990
Capital assets being depreciated:				
Land improvements	47,755	87,147	-	134,902
Buildings and improvements	1,816,635	-	-	1,816,635
Equipment and furniture	304,670	51,026	-	355,696
Vehicles	1,091,421	20,454	-	1,111,875
Total depreciable capital assets	3,260,481	158,627	-	3,419,108
Total capital assets	3,644,471	158,627	7,000	3,796,098
Less accumulated depreciation:				
Land improvements	3,485	6,093	-	9,578
Buildings and improvements	344,524	43,655	-	388,179
Equipment and furniture	97,976	38,438	-	136,414
Vehicles	715,096	68,447	-	783,543
Total accumulated depreciation	1,161,081	156,633	-	1,317,714
Total depreciable capital assets	2,099,400	1,994	-	2,101,394
Governmental activities capital assets, net	<u>\$ 2,483,390</u>	<u>\$ 1,994</u>	<u>\$ 7,000</u>	<u>\$ 2,478,384</u>
	Balance at 1/01/06	Additions	Disposals	Balance at 12/31/06
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 1,505	\$ -	\$ -	\$ 1,505
Vehicles	5,450	-	-	5,450
Infrastructure - water systems	2,086,775	5,880	-	2,092,655
Total capital assets	2,093,730	5,880	-	2,099,610
Less accumulated depreciation:				
Equipment	1,505	-	-	1,505
Vehicles	5,450	-	-	5,450
Infrastructure - water systems	637,941	31,102	-	669,043
Total accumulated depreciation	644,896	31,102	-	675,998
Business-type activities capital assets, net	<u>\$ 1,448,834</u>	<u>\$ (25,222)</u>	<u>\$ -</u>	<u>\$ 1,423,612</u>

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE F – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 15,902
Public safety	91,103
Parks and recreation	5,200
Health and welfare	<u>44,428</u>
Total governmental activities	
depreciation expense	<u>\$ 156,633</u>
Business-type activities:	
Water	<u>\$ 31,102</u>
Total business-type activities	
depreciation expense	<u>\$ 31,102</u>

NOTE G – EMPLOYEE’S RETIREMENT PLAN

The Township administers a defined contribution plan with the John Hancock Life Insurance Company in accordance with the provisions of the John Hancock Defined Contribution Pension Plan for Government Employees.

Plan Description – Normal retirement age under the plan is age 65, or, if later, completion of 10 years of participation in the Plan. Early retirement is permitted at any time after attainment of age 55. Eligible employees in the Plan are all full-time employees working 40 hours per week, and must be at least the age of 18. Employer contributions are based on the number of years an employee is employed with the Township. 1-4 years of service requires an annual employer contribution of \$1,200, with an increase of \$300 for each additional 5 years of service, with a maximum of \$2,700 for 20 years and over of employment. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of compensation. Benefits attributable to Employer contributions shall be 100% vested upon a Participant’s death, disability, normal retirement or early retirement, or upon termination of the Plan. On termination of a Participant’s service, other than because of death, disability, or normal retirement, such benefits shall vest 100% immediately. The investment of Plan assets is the responsibility of the participants.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE G – EMPLOYEE’S RETIREMENT PLAN (continued)

Township contribution for the year ended 12/31/06	\$	20,350
Employee contributions		0
Active members		9
Total annual payroll for active members	\$	348,317
Employer contribution as a percentage of payroll		5.84%
Plan assets at the most recent valuation date (12/31/06)	\$	334,852

NOTE H – VESTED EMPLOYEE BENEFITS

Substantially all of Township employees are entitled to certain vacation, sick pay benefits, and compensation time that accrue and vest based on employment agreements. Vacations not taken within the calendar year shall be forfeited unless permission is obtained from the Township Superintendent to schedule the vacation at a later date. Compensated absences in the amount of \$28,930 are reported under governmental activities in the Statement of Net Assets.

NOTE I – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

Type of Debt	Balance @ 1/01/06	Additions	Deductions	Balance @ 12/31/06
Governmental Activities:				
Installment Purchase Agreement:				
DPW Building	\$ 293,880	\$ -	\$ 72,398	\$ 221,482
Compensated Absences	33,003	-	4,073	28,930
Total governmental long-term debt	<u>\$ 326,883</u>	<u>\$ -</u>	<u>\$ 76,471</u>	<u>\$ 250,412</u>
Business-type Activities:				
Bonds Payable:				
Refinancing of 1996 Water Bonds:				
East Kingsford portion	373,881	-	31,869	342,012
Total business-type long-term debt	<u>\$ 373,881</u>	<u>\$ -</u>	<u>\$ 31,869</u>	<u>\$ 342,012</u>

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE I – LONG-TERM DEBT (continued)

Debt service requirements on long-term debt at December 31, 2006 are as follows:

For the Year Ending December 31,	Governmental Activities	
	Installment Agreement	
	Principal	Interest
2007	75,935	8,919
2008	79,313	5,541
2009	66,234	1,457
	<u>\$ 221,482</u>	<u>\$ 15,917</u>

For the Year Ending December 31,	Business-Type Activities	
	Bonds Payable	
	Principal	Interest
2007	31,148	11,852
2008	29,109	13,891
2009	27,656	15,344
2010	27,890	15,110
2011	29,612	13,388
2012-2016	176,617	37,195
2017-2018	19,980	103
	<u>\$ 342,012</u>	<u>\$ 106,883</u>

Governmental Activities:

As of December 31, 2006, the governmental activities long-term debt consisted of the following:

Installment Purchase Agreement:

The Township entered into an installment purchase agreement on November 8, 2002 with a principal amount of \$500,000, and an interest rate of 3.45% per annum until January 1, 2003, and thereafter at an interest rate of 4.40% per annum. Semi-annual principal and interest payments of \$42,427 are due January 31st and July 31st each year.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE I – LONG-TERM DEBT (continued)

Business-type Activities:

As of December 31, 2006, the long-term debt of business-type activities consists of the following:

Bonds Payable:

During the year ending December 31, 2004, the Township refinanced the bonds on the East Kingsford portion of the 1996 Water Supply System Revenue Bonds. Bonds were issued on June 29, 2004 for \$421,000 with a variable interest rate ranging from 3.0% to 6.0%, with a maturity date of January 29, 2017. Semi-annual principal and interest payments of \$21,500 are due June 29th and December 29th each year.

NOTE J – INTERFUND TRANSFERS

Transfers between governmental and internal service funds are made to fund various Township programs and operational expenditures and are summarized as follows for the year ended December 31, 2006:

	Transfers In	Transfers Out
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ -	\$ 186,000
Non-Major Funds:		
Cemetery	32,279	-
Township Improvement Revolving	155,000	-
Cemetery Perpetual Care	-	5,279
Total Non-Major Funds	187,279	5,279
<u>Internal Service Funds</u>		
Motor Pool	4,000	-
Totals	\$ 191,279	\$ 191,279

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE K – RISK MANAGEMENT

The Township has obtained insurance from Burnham & Flower Insurance Group. The participating plan coverage areas, limits, and deductions for the coverage period January 1, 2006 through January 1, 2007 are as follows:

Coverage Area	Occurrence Limit	Deductibles
Property Damage Coverage	\$ 3,308,915	\$ 250
Liability Coverage	5,000,000	N/A
Wrongful Acts Liability Coverage	5,000,000	N/A
Law Enforcement Coverage	5,000,000	N/A
Crime Coverage	10,000	N/A
Automobile Liability Coverage:		
Bodily injury & property damage liability	5,000,000	500
Uninsured/underinsured motorists	100,000	N/A
Computerized Business Equipment:		
<i>(Underwritten through St. Paul Travelers)</i>		
Hardware Limit of Insurance	11,000	500
Software Limit of Insurance	4,500	500
Fire Department Specialized Equipment Coverage:		
<i>(Underwritten through St. Paul Travelers)</i>		
Fire Department Specialized Equipment	1,202,371	500
Municipal Coverage:		
<i>(Underwritten through St. Paul Travelers)</i>		
Municipal Equipment	215,757	500
Boiler & Machinery Coverage:		
<i>(Underwritten through Hartford Steam Boiler Inspection and Insurance Company)</i>		
Equipment breakdown limit	1,182,000	500
Property damage	1,132,000	500
Public Official and Employee Bond Coverage:		
<i>(Underwritten through The Hartford)</i>		
Treasurer	25,000	N/A
Deputy Treasurer	15,000	N/A
Clerk	10,000	N/A
Deputy Clerk	10,000	N/A
Water Department Clerk	10,000	N/A
Supervisor	5,000	N/A

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE K – RISK MANAGEMENT (continued)

At December 31, 2006, the Township had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE L – CONTINGENT LIABILITIES

The Township has received financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the Township at December 31, 2006.

NOTE M – ANNEXATIONS

On December 31, 2006 the Charter Township of Breitung had received formal notification from the State Boundary Commission that two property owners had filed preliminary application for a sufficiency hearing with the Boundary Commission. The sufficiency hearing is the first of three public hearings conducted by the Boundary Commission to complete the annexation process. At this time, the sufficiency hearing is complete and two hearings remain for the annexation or transfer of property from the Township to the City of Iron Mountain to occur.

The property owners who initiated the annexation or land transfer are Champion Inc. and TJM Hospitality Inc. Champion Inc. has approximately 68 acres in the Township with 2006 taxable value of \$230,556 which yields \$968.34 in property tax revenue. TJM Hospitality Inc. has approximately 7.14 acres in the township with a 2006 taxable value of \$524,500 and yields \$202.90 in property tax revenue. Champion Inc. had personal property in the amount of \$94,700 which yielded \$397.74 in personal property taxes. TJM had personal property in the amount of \$147,500 which yielded \$619.50 in personal property tax. The taxable value and corresponding revenues represents utilization of land in its present form. After development of the parcels, real and personal property taxes are expected to increase substantially.

CHARTER TOWNSHIP OF BREITUNG

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE M – ANNEXATIONS (continued)

With the sufficiency hearings completed, the Boundary Commission will be holding a public hearing in August of 2007 in Kingsford and the final hearing in December of 2007 or January of 2008. At this time, the Township anticipates the properties will be approved for annexation and subsequently transferred to the jurisdiction of the City of Iron Mountain.

The Township is also actively pursuing alternatives to the annexation with the City of Kingsford and City of Iron Mountain by means of 425 Conditional Transfer Agreements. Discussions with both units of government are ongoing and it is possible that an agreement may be reached in the 2007 calendar year. In the event an agreement is reached with one or both cities, the financial impact and property transfer via the annexation could be reduced. At this time, because of the complexity of the issues involved in the 425 Conditional Transfer discussions prevent an accurate estimate of the financial impact to the Township.

CHARTER TOWNSHIP OF BREITUNG
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Federal sources	\$ -	\$ 120,048	\$ 148,640	\$ 28,592
State sources	422,160	423,468	412,053	(11,415)
Taxes	1,264,158	1,264,158	1,262,521	(1,637)
Charges for services	23,300	23,300	22,214	(1,086)
License and permits	20	20	17	(3)
Interest and rents	56,400	56,400	65,756	9,356
Other	6,215	15,188	85,038	69,850
Total revenues	\$ 1,772,253	\$ 1,902,582	\$ 1,996,239	\$ 93,657
EXPENDITURES:				
Legislative:				
Supervisor	\$ 11,140	\$ 11,140	\$ 10,727	\$ 413
Township board	39,150	43,650	42,852	798
General government:				
Superintendent	82,433	89,433	86,741	2,692
Treasurer	58,463	58,463	56,117	2,346
Clerk	54,113	54,113	51,927	2,186
Assessor	80,007	80,007	74,759	5,248
Planning commission	11,370	11,370	7,382	3,988
Board of review	2,855	2,855	1,989	866
Elections	11,983	11,983	11,483	500
Building and grounds	129,125	129,125	128,480	645
Public safety:				
Ordinance enforcement	138,945	138,945	145,318	(6,373)
Fire protection	182,845	185,438	203,692	(18,254)
Highway and transportation:				
County road construction	60,000	69,634	67,802	1,832
Health and welfare:				
Waste collection	233,720	233,720	248,975	(15,255)
Department of public works	66,510	66,510	57,345	9,165
Recreation and cultural:				
Parks and recreation	69,180	77,180	75,144	2,036
Other:				
Hospitalization	165,800	165,800	134,344	31,456
Worker's compensation	9,800	9,800	14,858	(5,058)
Insurance and bonds	63,000	63,000	76,442	(13,442)
Professional services	15,000	134,763	139,514	(4,751)
Audit fees	8,400	8,400	8,424	(24)
Legal fees	25,500	25,500	42,089	(16,589)
Computer services	12,000	12,000	9,559	2,441
Capital outlay	43,500	24,500	27,152	(2,652)
Retirement	21,700	21,700	20,350	1,350
Office supplies	7,000	7,000	6,967	33
Postage	9,200	9,200	9,413	(213)
Communication	12,400	12,400	11,699	701
Miscellaneous	-	3,973	2,356	1,617
Total expenditures	1,625,139	1,761,602	1,773,900	(12,298)
Excess revenues (expenditures)	147,114	140,980	222,339	81,359
OTHER FINANCING SOURCES (USES)				
Transfer out:				
Township Improvement Revolving	(155,000)	(159,000)	(159,000)	-
Cemetery	(27,000)	(27,000)	(27,000)	-
Total other financing sources (uses)	(182,000)	(186,000)	(186,000)	-
Net changes in fund balances	(34,886)	(45,020)	36,339	81,359
Fund balances - beginning	1,257,846	1,257,846	1,257,846	1,257,846
Fund balances - ending	\$ 1,222,960	\$ 1,212,826	\$ 1,294,185	\$ 1,339,205

CHARTER TOWNSHIP OF BREITUNG
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Cemetery	Liquor Law Enforcement	Township Improvement Revolving	Cemetery Perpetual Care	
Cash and equivalents:					
Restricted	\$ -	\$ -	\$ -	\$ 133,045	\$ 133,045
Unrestricted	61,820	9,546	171,911	-	243,277
Total assets	\$ 61,820	\$ 9,546	\$ 171,911	\$ 133,045	\$ 376,322

ASSETS

Cash and equivalents:
 Restricted
 Unrestricted

Total assets

LIABILITIES AND FUND BALANCES

Liabilities:

 Accounts payable

Total liabilities

Fund balances:

 Reserved for:

 Cemetery perpetual care
 Unreserved

Total fund balances

Total liabilities and fund balances

\$ 78	\$ -	\$ -	\$ -	\$ 78
78	-	-	-	78
-	-	-	133,045	133,045
61,742	9,546	171,911	-	243,199
61,742	9,546	171,911	133,045	376,244
\$ 61,820	\$ 9,546	\$ 171,911	\$ 133,045	\$ 376,322

CHARTER TOWNSHIP OF BREITUNG
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	Special Revenue Funds			Permanent Fund		Total Nonmajor Governmental Funds
	Cemetery	Liquor Law Enforcement	Township Improvement Revolving	Cemetery Perpetual Care		
REVENUES:						
State sources	\$ -	\$ 2,361	\$ -	\$ -	\$	2,361
Charges for services	15,225	-	-	3,375		18,600
Interest income	2,455	208	6,817	5,282		14,762
Miscellaneous	2,125	-	-	-		2,125
Total revenues	\$ 19,805	\$ 2,569	\$ 6,817	\$ 8,657	\$	37,848
EXPENDITURES:						
Public safety	\$ -	\$ 2,200	\$ -	\$ -	\$	2,200
Health and welfare	43,823	-	-	-		43,823
Capital outlay	-	-	-	-		-
Debt service:						
Principal	-	-	72,397	-		72,397
Interest and other charges	-	-	12,457	-		12,457
Total expenditures	43,823	2,200	84,854	-		130,877
Excess revenues (expenditures)	(24,018)	369	(78,037)	8,657		(93,029)
OTHER FINANCING SOURCES (USES):						
Transfers in	32,279	-	155,000	-		187,279
Transfers out	-	-	-	(5,279)		(5,279)
Total other financing sources (uses)	32,279	-	155,000	(5,279)		182,000
Net changes in fund balances	8,261	369	76,963	3,378		88,971
Fund balances - beginning	53,481	9,177	94,948	129,667		287,273
Fund balances - ending	\$ 61,742	\$ 9,546	\$ 171,911	\$ 133,045	\$	376,244

See accompanying notes to the financial statements



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Township Board
Charter Township of Breitung
Dickinson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Breitung, Dickinson County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Charter Township of Breitung's basic financial statements and have issued our report thereon dated April 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Breitung's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Breitung's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Breitung's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Charter Township of Breitung's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Charter Township of Breitung's financial statements that is more than inconsequential will not be prevented or detected by the Charter Township of Breitung's internal control.

Members of the Township Board
Charter Township of Breitung
Dickinson County, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Township of Breitung's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Breitung's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Charter Township of Breitung, in a separate letter dated April 30, 2007.

This report is intended solely for the information and use of management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2007



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Kevin C. Pascoe, CPA

REPORT TO MANAGEMENT

Members of the Township Board
Charter Township of Breitung
Dickinson County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Breitung, Dickinson County, Michigan, for the year ended December 31, 2006, and have issued our report thereon dated April 30, 2007. Professional standards require we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 13, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Charter Township of Breitung, Dickinson County, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Breitung's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Charter Township of Breitung, Dickinson County, Michigan are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the Charter Township of Breitung, Dickinson County, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Members of the Township Board
Charter Township of Breitung
Dickinson County, Michigan

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the useful lives of property and equipment for the purpose of calculating depreciation is based on management's past experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Charter Township of Breitung's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Charter Township of Breitung, either individually or in the aggregate, indicate matters that could have a significant effect on the Charter Township of Breitung's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Breitung Township's auditors.

Members of the Township Board
Charter Township of Breitung
Dickinson County, Michigan

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

In planning and performing our audit of the financial statements of the Charter Township of Breitung, Dickinson County, Michigan, for the year ended December 31, 2006, we considered the Charter Township of Breitung, Dickinson County, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated April 30, 2007, on the financial statements of the Charter Township of Breitung.

This information is intended solely for the use of the Board of the Charter Township of Breitung and management of Breitung Township and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2007

CHARTER TOWNSHIP OF BREITUNG
DICKINSON COUNTY, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2006

BUDGET NON-COMPLIANCE

Comment:

For the year ended December 31, 2006, the General Fund expenditures exceeded total appropriations by \$12,298.

Recommendation:

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

REVENUE RECOGNITION

Comment:

1. We noted insurance claim reimbursements recorded to offset repair and maintenance expenses rather than properly classified separately as revenue.
2. We noted proceeds from the sale of fixed assets recorded to offset capital outlay expenditures rather than properly classified separately as revenue.

Recommendation:

We recommend reimbursements and proceeds from the sale of fixed assets be recorded separately as revenue, and not as a reduction to expense accounts.